New Zealand Directors’ Fees Survey

Introduction

This report covers the results of a survey of current trends and practices relating to the payment of Directors’ fees within New Zealand organisations. This is the twenty second survey conducted by Strategic Pay.

The 2015 report draws on detailed remuneration data for approximately 2,220 directorships representing 362 organisations.

The survey report combines information from three sources:
- organisations from the Strategic Pay database;
- questionnaires sent to Strategic Pay master mailing list;
- publicly available annual reports and NZX listings.

The 2015 report represents whole board data from the organisations listed on page 3.

The core of the survey contains schedules detailing quartile amounts of fees for each class of director. Policy and practice results are reported on separately.

This report will assist organisations in making informed remuneration-related decisions. In addition, the results of this survey provide a means of comparison for assessing the degree to which individual remuneration rates are competitive with the market.

As the market leader in strategic remuneration and performance management, Strategic Pay helps organisations improve their performance by ensuring remuneration and rewards are closely linked to business objectives, and by providing a compelling proposition that attracts, retains and motivates the best people.

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry sector market surveys, based on a database of pay information for over 120,000 New Zealand employees. This rich data source gives our clients access to better and broader comparative information to effectively benchmark their remuneration and rewards packages.

The report provides:

Schedules of Directors’ Fees

Detailed schedules on annual fees are provided for the following categories:

- Non-Executive Chairmen
- Non-Executive Deputy Chairmen
- Non-Executive Directors
- Chair vs. Director Fee Relationships
- Deputy Chair Fees Ratio
- Executive Board Members

Summary information for:

- Executive Chairmen
- Executive Directors
Board Policy and Practice Analysis

+ Board Demographics
+ Board Meetings
+ Board Committees
+ Board Fees
+ Expected Directorship Effort

The 2015 report also includes special analysis on the Directors’ Fees in the Not for Profit sector. The Not for Profit section covers the results of a survey of current trends and practices relating to the payment of Directors’ Fees within New Zealand Not for Profit organisations. Overall responses from 151 Not for Profit organisations with 147 submissions for policies and practices information.

Participating Organisation Demographics

The following participant demographic information reflects the 355 boards represented in the survey.

Organisation Type

<table>
<thead>
<tr>
<th>Organisation Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sector Organisation - Listed NZX</td>
<td>34%</td>
</tr>
<tr>
<td>Public Sector Organisation - Crown Funded</td>
<td>25%</td>
</tr>
<tr>
<td>Private Sector Organisation - Unlisted</td>
<td>17%</td>
</tr>
<tr>
<td>Public Sector Organisation - Local Body Owned</td>
<td>9%</td>
</tr>
<tr>
<td>Co-operative Entity</td>
<td>6%</td>
</tr>
<tr>
<td>State Owned Enterprise</td>
<td>3%</td>
</tr>
<tr>
<td>Maori Entity</td>
<td>3%</td>
</tr>
<tr>
<td>Public Sector Organisation - Central / Local Govt</td>
<td>2%</td>
</tr>
<tr>
<td>Not for Profit Entity</td>
<td>0%</td>
</tr>
<tr>
<td>Private Sector Organisation - Parent Listed Overseas</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>

Organisation Region

- South Island: 24%
- Greater Auckland Region: 37%
- Other North Island: 17%
- Greater Wellington Region: 22%
Participants

The 2015 report draws on detailed remuneration data for approximately 2,220 directorships representing 362 organisations. The following organisations participated in the 2015 survey:

- 2degrees Mobile Limited
- A2 Milk Corporation Limited
- Abano Healthcare Group Limited
- Accident Compensation Corporation
- Acureity Health Group Limited
- AgResearch Limited
- Air New Zealand Limited
- Airways New Zealand Limited
- Airwork Holdings Limited
- Alliance Group Limited
- Allied Farmers Limited
- Alpine Energy Limited
- Antarctica New Zealand
- Aoraki Polytechnic
- Aorere Resources Limited
- Aotearoa Fisheries Limited
- Appliance Connexion Limited
- ARANZ Medical Limited
- Argosy Property Limited
- Atihau-Wanganui Incorporation
- Auckland Council
- Auckland Council Investments Limited
- Auckland Council Property Limited
- Auckland District Health Board
- Auckland International Airport Limited
- Auckland Tourism Events and Economic Development Limited
- Auckland Transport
- Auckland University of Technology
- Augusta Capital Limited
- Aurora Energy
- Aviation Security Service
- AWF Group Limited
- Babbage Consultants Limited
- Balance Agri-Nutrients Limited
- Barramundi Limited
- Barrhill Chertsey Irrigation Limited
- Bathurst Resources Limited
- Bay of Plenty District Health Board
- Bay of Plenty Polytechnic
- Beef + Lamb New Zealand
- BGT Structures
- BLIS Technologies Limited
- Briscoe Group Limited
- Broadcasting Standards Authority
- Buller Electricity Limited
- Burger Fuel Worldwide Limited
- Callaghan Innovation
- Canterbury District Health Board
- Capital and Coast District Health Board
- Careers New Zealand
- Cavalier Corporation Limited
- CDC Pharmaceuticals Limited
- CDL Investments New Zealand Limited
- Central Region's Technical Advisory Services Limited
- Centralines
- Centreport Limited
- Chorus Limited
- Christchurch City Holdings Limited
- Christchurch International Airport Limited
- City Care Limited
- City Forests Limited
- Civil Aviation Authority of New Zealand
- Comvita New Zealand Limited
- Contact Energy Limited
- Counties Manukau District Health Board
- Counties Power Limited
- Creative New Zealand
- Crown Fibre Holdings Limited
- DairyNZ Limited
- Deer Industry New Zealand
- Delegat Limited
- Delta Utility Services Limited
- DNZ Property Fund Limited
- Dorchester Pacific Limited
- Dunedin City Holdings Limited
- Dunedin International Airport Limited
- Earthquake Commission
- Eastern Institute of Technology
- Eastland Group Limited
- EastPack Limited
- EBOS Group Limited
- Electra Limited
- Electricity Ashburton (EA) Networks
- Enable Networks Limited
- Energy Efficiency and Conservation Authority
- Energy Mad Limited
- Enprise Solutions Limited
- Environment Southland
- Environmental Protection Authority
- EROAD Limited
- Fairway (was Dispute Resolution Services Limited)
- Far North Holdings Limited
- Farmers Mutual Group
- Farmlands Co-operative Society Limited
- Fidelity Life Assurance Company Limited
- Financial Markets Authority
- Finzsoft Solutions Limited
- Fisher & Paykel Healthcare Corporation Limited
- Fletcher Building Limited
- Foley Family Wines Limited
- Fonterra Co-operative Group Limited
- Freightways Limited
- Freshpork New Zealand Limited
- Genesis Energy Limited
- Gentrack Group Limited
- GeoOp Limited
- GFNZ Group Limited
- GNS Science
- Go Bus Transport
- Goodman Fielder New Zealand Limited
- Goodman Property Trust
- Gough Group
- Government Superannuation Fund Authority
- Grant Thornton New Zealand Limited
- Green Cross Health
- Grow Wellington Limited
- Guardians of New Zealand Superannuation Fund Authority
- Hallenstein Glasson Holdings Limited
- Harrison Grierson Consultants Limited
- Hawke's Bay District Health Board
- Health Benefits Limited
- Health Research Council of New Zealand
- HealthAlliance
- Heartland Bank
- Heartland New Zealand Limited
- Hellaby Holdings Limited
- Heritage New Zealand
- Hilton Haulage Transport Limited
- Horizon Energy Distribution Limited
- Housing New Zealand Corporation
- Hutt Valley District Health Board
- Infratil Limited
- Institute of Environmental Science and Research Limited
- Institute of Geological and Nuclear Sciences Limited
- Intermed Medical Limited
- Jade Software Corporation Limited
- Just Water International Limited
- Kathmandu Holdings Limited
- King Country Energy Company
- Kingfish Limited
- Kirkcaldie and Stains Limited
- Kiwi Income Property Trust
- KiwiRail Limited
- Kordia Group Limited
- Lakes District Health Board
- Landcare Research New Zealand Limited
- Landcorp Farming Limited
- Lateral Corporation Limited
- Les Mills International
- Livestock Improvement Corporation Limited
- Lyttelton Port Company Limited
- Mainfreight Limited
- Mainpower New Zealand Limited
- Manukau Institute of Technology
- Maori Television Service
- Maritime New Zealand
- Marlborough Lines Limited
- Martin Global Limited
- Marsden Maritime Holdings
- Massey University
- Medical Assurance Society
- Mercer Group Limited
- Meridian Energy Limited
- Meteorological Service of New Zealand Limited
- Methven Limited
- Metlifecare Limited
- MG Marketing
- Michael Hill International Limited
- MidCentral District Health Board
- Mighty River Power Limited
- Millennium & Copthorne Hotels (NZ) Limited
- Moa Group Limited
- Motor Trade Finances Limited
- Mowbray Collectables Limited
- Mykris Limited
- National Institute of Water and Atmospheric Research
- Nelson Airport Limited
- Nelson Electricity
- Nelson Marlborough District Health Board
- Nelson Marlborough Institute of Technology
- Nelson Regional EDA
- Nelson Tasman Tourism

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<table>
<thead>
<tr>
<th>Organisation Name</th>
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<tbody>
<tr>
<td>Network Tasman Limited</td>
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<td>Network Waitaki Limited</td>
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<tr>
<td>New Talisman Gold Mines Limited</td>
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<tr>
<td>New Zealand Artificial Limb Board</td>
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<tr>
<td>New Zealand Automobile Association Inc.</td>
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<tr>
<td>New Zealand Blood Service</td>
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<tr>
<td>New Zealand Domain Name Registry Limited</td>
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<tr>
<td>New Zealand Film Commission</td>
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<tr>
<td>New Zealand Fire Service Commission</td>
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<tr>
<td>New Zealand Institute for Plant and Food Research</td>
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<tr>
<td>New Zealand Lotteries Commission</td>
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<tr>
<td>New Zealand Oil and Gas Limited</td>
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<td>New Zealand On Air</td>
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<tr>
<td>New Zealand Plumbers Merchants Group Limited</td>
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<tr>
<td>New Zealand Post Limited</td>
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<tr>
<td>New Zealand Qualifications Authority</td>
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<td>New Zealand Racing Industry Board</td>
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<td>New Zealand Rugby Union</td>
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<td>New Zealand Symphony Orchestra</td>
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<td>New Zealand Teachers Council</td>
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<tr>
<td>New Zealand Trade and Enterprise</td>
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<td>New Zealand Transport Agency</td>
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<tr>
<td>New Zealand Venture Investment Fund Limited</td>
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<tr>
<td>New Zealand Walking Access Commission</td>
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<tr>
<td>New Zealand Windfarms Limited</td>
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<tr>
<td>New Zealand Winegrowers</td>
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<tr>
<td>Ngai Tahu Holdings Group</td>
</tr>
<tr>
<td>Ngai Tahu Property Limited</td>
</tr>
<tr>
<td>Ngai Tahu Seafood Limited</td>
</tr>
<tr>
<td>Ngai Tahu Tourism Limited</td>
</tr>
<tr>
<td>Ngati Awa Group Holdings Limited</td>
</tr>
<tr>
<td>Ngati Porou Holding Company Limited</td>
</tr>
<tr>
<td>Ngati Porou Seafoods Limited</td>
</tr>
<tr>
<td>Northland District Health Board</td>
</tr>
<tr>
<td>Northpower Fibre</td>
</tr>
<tr>
<td>Northpower Limited</td>
</tr>
<tr>
<td>NorthTec (Northland Polytechnic) NPT Limited</td>
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<tr>
<td>Nuplex Industries Limited</td>
</tr>
<tr>
<td>NZF Group Limited</td>
</tr>
<tr>
<td>NZX Limited</td>
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<tr>
<td>Open Polytechnic of New Zealand Opotiki Packing and Coolstore Limited</td>
</tr>
</tbody>
</table>
Timing and fees

Data for this survey is collected from November, with the report published in January each year. The cost to purchase the report is discounted for participants at $580 (+ GST). The cost for non-participants is $1,160 (+ GST).

How to participate in the next survey

If you are interested in participating in the next survey, please contact the Strategic Pay Survey Team (surveys@strategicpay.co.nz) to confirm your registration in the survey process. The survey submission packs will be sent to participants in May and are to be completed and returned to Strategic Pay by mid June.

Ensuring your confidentiality

Strategic Pay remuneration surveys are independent and are conducted using rigorous statistical methods and impeccable quality assurance checks. Remuneration data is reported as statistics (lower quartile, median, upper quartile, average) so no one organisation’s remuneration information is identifiable in the report.
Appendix A: RemWise® - A Tool for Managing Remuneration

Strategic Pay has developed the model below as a tool for understand and communicating the relationships between the various elements of remuneration and performance in managing human resources.

The Strategic Pay salary management tool - RemWise® - follows the themes in the model below:

The various aspects of RemWise® are featured around the outside of the diagram to indicate where they support your remuneration processes.

RemWise® has been designed to make life easier for busy HR departments:

+ The settings can be customised to suit the client organisation
+ Market survey data can be imported to minimise the need for detailed data entry
+ Range of reports for management and employees:
  - Job sizing (whether derived from job evaluation, benchmarking or slotting or some other form of banding system)
  - Market benchmarking
  - Salary review communication
  - System performance (e.g. ratings distribution)
+ Detailed analysis of remuneration costs
+ Automated salary survey return
Appendix B: DirectorRate™ - The new approach for determining Directors’ Fees

Understanding how best to determine the value of a board member position can be difficult. The process is complex, taking into account many factors relevant to the particular duties of the particular position. Using this as a basis for paying your largest proportion of remuneration expenditure can often leave boards questioning whether the methods used are robust and comparable to other organisations.

So how do you pay your directors equitably, in relation to the size of the role? Historically the industry approach would look at a multitude of relevant factors, and then complete a recommendation report. Boards were then able to modify or reject these recommendations as they saw fit.

Understanding the need for a more robust assessment process has led Strategic Pay to develop the DirectorRate™ methodology.

What is DirectorRate™?

The method is straightforward; we have a number of factors we examine, as listed below. Each factor has a range of levels and we rank each organisation across the factors. An example of the range of options with one of the factors is noted below.

The factors developed are as follows:

+ Complexity of operating environment
+ Innovation / technology / intellectual complexity
+ Board discretion / autonomy / involvement
+ Stakeholder management
+ Revenue / capital risk
+ Liability risk to the organisation
+ Public perception / organisational risk profile
+ Organisation revenues
+ Organisation total assets

Factor 1: Complexity of Operating Environment

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low complexity: Stable operating environment, largely predictable future, single site, New Zealand only</td>
<td>Low complexity of operating environment</td>
<td>Moderate complexity of operating environment</td>
<td>High complexity of operating environment</td>
<td>Very high complexity: Rapidly changing environment, uncertain future, operating on multiple sites, international</td>
</tr>
</tbody>
</table>

Explanatory Notes for Factor 1

+ How complex is the environment in which the organisation operates?
+ Is the organisation operating in an emerging market which is changing rapidly?
+ Does the organisation operate in a volatile market with the potential for significant, unpredictable and rapid changes?
+ Is the organisation subject to fierce global competition?
+ Is the organisation subject to severe shifts in resource availability and/or cost or customer demand?
**How do we measure?**

We have established a database of assessments of over 150 organisations and are adding to this on a regular basis. Below is a snapshot of the data. It is clear that the information base becomes a powerful tool when a large sample is examined. The methodology clearly shows the variability in fee levels and the ability to compare and contrast the reasons for this.

**Private Sector Director Fees by Points**

![Graph showing private sector director fees by points](image)

**Some Questions we have been asked:**

**Q:** Who does the assessment of the organisation?
**A:** Strategic Pay does. We seek information and advice from each organisation but it is used as part of our independent reporting process and hence we reserve the right to make a final call on each organisation. Our clients, as with any of our reports, are at liberty not to follow our advice. The assessment of each organisation is made fully available as part of the transparency of our reports.

**Q:** What do the results look like?
**A:** They produce similar results to other methods; similar but not completely the same.

**Q:** If the results are similar why bother?
**A:** The methodology is more robust in terms of how the analysis is produced and it fairly and openly makes an assessment across a range of variables that are normally accounted for by a process of intuition and use of relatively blunt measures.

**Q:** Isn’t this making a relatively simple process (your words) unnecessarily complicated?
**A:** There is a greater level of analysis. We believe that given the increasing spotlight and pressure being put on Boards/Councils/Trusts to provide justification and analysis for any salary and fee related issues there are very good reasons to utilise new tools such as this one to increase understanding and awareness of an organisations complexity.

**Q:** Is this just for the private sector or can it be applied to all organisation types?
**A:** It is, we believe, equally applicable to all organisation types. Our only constraint is sample data sufficient to provide meaningful analysis and that is being solved as we rapidly build up our database of organisation assessments.

**Q:** Are there any other examples of such a methodology for assessing an organisation for the purpose of reviewing fees for Board?
**A:** The New Zealand Cabinet Fees framework is similar. It has been used for many years and covers all organisations under the government’s purview. The latest version can be found on-line (Cabinet Office Circular CO (12) 6, 19 December 2012).
Appendix C: Rem On-Demand

New Zealand’s foremost online remuneration survey resource, Rem On-Demand, is supported by Strategic Pay’s database of approximately 120,000 individual employee remuneration packages. All components of pay packages (base salary, benefits and performance pay) are represented, as are a comprehensive range of workplace functions.

Whether you’re recruiting, conducting wage and salary reviews, resolving pay disputes or setting remuneration policy, Rem On-Demand has the information you need. And it’s all accessible online at any time or place. For a look at the website, go to www.remondemand.co.nz.

Access to Rem On-Demand is gained by either paying a subscription fee or purchasing any of our remuneration surveys.

What does Rem On-Demand have to offer?
+ Online remuneration resource
+ Access via secure login for all members of your team
+ Topical HR issues
+ Remuneration market data at your fingertips
  – Full survey reports in interactive PDF
  – Data search by survey and role
+ HR Policies and Practices Report (includes salary movements and projections and benefits information)
+ Online forums through the Rem On-Demand LinkedIn group
+ Annual Motor Vehicle Cost Update (provides estimates of the annual, comprehensive cost to organisations for purchasing and leasing varying types of motor vehicles)
+ Other remuneration related resources

Remuneration Survey Report Access

Surveys can be either downloaded online in their entirety as a PDF or single positions can be searched for individually. Hard copies of either method can be printed if required.

Subscriptions

Two subscriptions currently exist: Standard; and Premium. Standard provides access to remuneration information on more than 50 commonly found workplace positions. Premium combines the Standard subscription with nearly 40 additional CEO and Senior Executive remuneration tables.

For a list of the roles each subscription covers, either email remondemand@strategicpay.co.nz or phone Strategic Pay on 09 303 4045.

Cost

+ Standard - $520 plus GST
+ Premium - $2,600 plus GST

How to subscribe

If you are interested in subscribing, either email remondemand@strategicpay.co.nz or phone Strategic Pay on 09 303 4045. All subscribers must submit their organisation’s remuneration data to Strategic Pay to access data on Rem On-Demand.

For more information on the remuneration surveys that Strategic Pay offers, email surveys@strategicpay.co.nz or remondemand@strategicpay.co.nz or phone Strategic Pay on 09 303 4045.
Appendix D: About Strategic Pay Limited

Strategic Pay is at the leading edge of developments in strategic remuneration, performance management and organisation change solutions. We offer a powerful combination of resources to help organisations improve how they operate, and ensure rewards are closely linked to business objectives.

Strategic Rewards

The highly experienced consultancy team at Strategic Pay offers clients a sophisticated set of proprietary tools designed to integrate remuneration, performance and rewards management.

This includes:
+ Remuneration and reward strategy
+ Executive remuneration and performance
+ Base pay systems, including points, grades, bands or benchmarks using our proprietary job evaluation systems
+ Salary review management, including processes, tools and training
+ Performance management systems, including customised design and implementation

New Zealand’s largest data services offering

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry sector market surveys, based on a database of over 128,000 New Zealand employees from over 1,000 organisations.

Our key surveys and reports include:
+ NZ Remuneration Report (published 6 monthly)
+ Corporate Services and Executive Management
+ CEO and Top Executive Remuneration Report
+ Directors’ Fees Report
+ NZ Benchmark Report
+ HR Metrics Survey
+ Financial Services
+ Pharmaceutical
+ Association of Consulting Engineers NZ
+ Law Firms
+ Central Government
+ Local Government (published 6 monthly)
+ Chartered Accounting Firms
+ Retail Industry
+ Electricity Transmission, Distribution and
+ Not for Profit Sector
+ Asset Management
+ Patent Attorney
+ HRINZ HR Practitioners
+ Property
+ Institutes of Technology and Polytechnics
+ Wine Industry

Smart Technology

We understand the needs of busy HR practitioners and have developed a range of smart automated tools to manage your remuneration and survey submission needs.
+ RemWise® – salary management software for managing every aspect of remuneration management
+ spectREM® – Strategic Pay’s Web-enabled database
+ PayCalculator – survey data at your fingertips
+ Rem On-Demand® - access to accurate and exhaustive information on remuneration trends and topical human resource issues in New Zealand

PLUS: Driving Organisation Performance

Superior organisation performance is having a future proof strategy, an organisational model and structure that supports the strategy and the right people matched to the accountabilities best designed to deliver the strategy. Strategic Pay’s PLUS® business consists of experienced consultants delivering the PLUS® suite of change management tools.

PLUS encompasses a range of organisation change programmes bound around a philosophy for achieving enduring change. They include:
+ Vision setting
+ Accountability mapping
+ Future proof strategic planning
+ Designing jobs
+ Organisation modelling

Please contact the Strategic Pay office for more information
Ph: 09 303 4045 Email: info@strategicpay.co.nz Web: www.strategicpay.co.nz